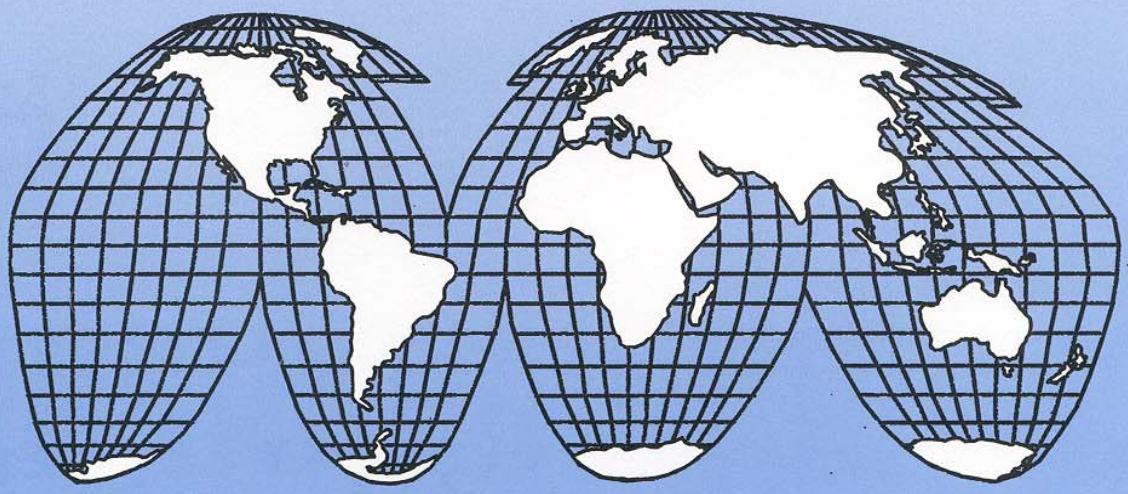
USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Cambodia's Monitoring of the Performance of Its HIV/AIDS Program

Audit Report No. 5-442-02-002-P

June 21, 2002



U.S. Agency for International Development
Philippines

U.S. AGENCY FOR
INTERNATIONAL
Development

RIG/Manila

June 21, 2002

MEMORANDUM

FOR: Mission Director, USAID/Cambodia, Lisa Chiles

FROM: RIG/Manila, Bruce N. Boyer

SUBJECT: Audit Report for the Audit of USAID/Cambodia's Monitoring of the Performance of Its HIV/AIDS Program, Report No. 5-442-02-002-P

This is our final report on the subject audit. We reviewed your comments to the draft report, made some revisions based on them, and included the comments in their entirety as Appendix II.

This report includes six recommendations to be addressed by USAID/Cambodia. Based on your comments to the draft report, we consider management decisions to have been made on all six recommendations. Please advise the Bureau for Management, Office of Management Planning and Innovation when final actions are complete.

I appreciate the cooperation and courtesies extended to my staff during the audit.

Table of Contents

Summary of Results

USAID/Cambodia complied with some of the Automated Directives System (ADS) guidance in monitoring the performance of its HIV/AIDS program. (See page 6.) However, the audit found that the Mission needs to strengthen its monitoring system by preparing a performance monitoring plan in accordance with USAID guidance for its recently approved strategic plan, by establishing performance targets, and by assessing data quality. (See page 10.) Moreover, USAID/Cambodia needs to address several areas requiring management attention. These areas, discussed on pages 14 to 20, include: (1) ensuring that its implementing partner, Population Services International, has implemented adequate controls over its operations in Cambodia, and (2) establishing performance measures for children affected by AIDS activities.

As of year 2000, the Mission had exceeded the intended results for one of the three indicators reviewed (Condom Sales), but the audit cannot draw a conclusion on the other two (Condom Use and STD Care). While the reported results for Condom Use have shown an increasing trend over the last several years, the Mission did not set performance targets for the indicator. Similarly, the Mission did not establish performance targets for the STD Care indicator, and a baseline for this indicator has only recently been established. (See pages 20 to 24.) In addition, the Mission should ensure that Population Services International makes condoms available to provinces outside of Phnom Penh, especially rural areas where about 83 percent of Cambodians live, and to military bases in remote locations. (See pages 24 to 26.)

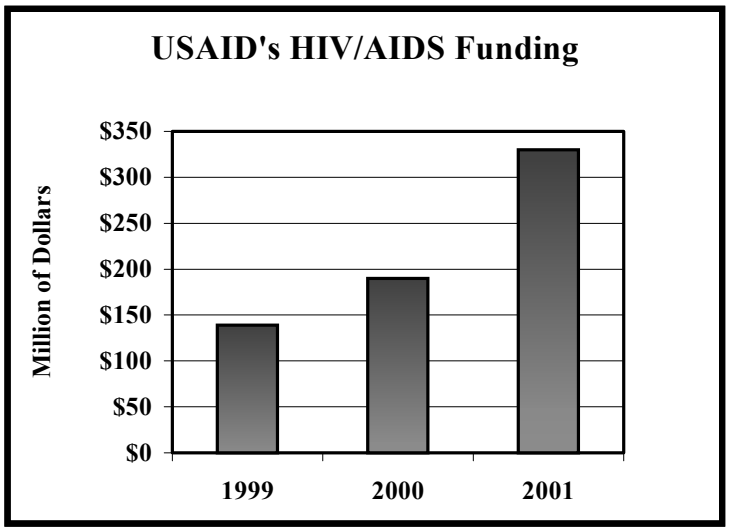
Finally, in response to the increased USAID funding for HIV/AIDS, USAID has drafted new Monitoring and Evaluation Guidance. The guidance establishes several global targets that USAID is expected to achieve. The guidance also requires missions to monitor and report progress of HIV/AIDS programs using standard indicators. USAID/Cambodia has already established some indicators similar to those required by the guidance and is preparing to meet additional reporting requirements under its recently approved new strategic plan. (See pages 27 to 28.)

Background

USAID funding for HIV/AIDS (Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome) has increased dramatically over the past three years: from $139 million in fiscal year 1999 to $330 million in fiscal year 2001 (see graph on next page).[1] USAID is organizing its response to HIV/AIDS around three categories of countries: rapid scale-up countries, intensive focus countries, and basic countries. These categories describe the resources that USAID will apply and expectations as to when a measurable

[1] Information was provided by USAID and is unaudited.

impact might be achieved. (See Appendix III for a description of these categories.) For example, rapid scale-up countries are defined as countries that will receive a significant increase in resources to achieve a measurable impact within one to two years. USAID plans to increase funding to rapid scale-up countries to reduce HIV prevalence rates, and to increase support services for people living with HIV/AIDS.



This chart depicts USAID's HIV/AIDS funding levels for fiscal years 1999 to 2001: $139 million for 1999, $190 million for 2000, and $330 million for 2001.

Cambodia, with an estimated population of 12 million, has the highest HIV prevalence rate of any country in Asia and is one of four rapid scale-up countries. The Cambodian National Census has estimated that 169,000 Cambodians were living with HIV/AIDS in 2000, or 2.8 percent of the sexually active adult population. Factors driving the HIV/AIDS epidemic in Cambodia include: extensive solicitation of sex by Cambodian men; high prevalence of sexually transmitted diseases (STDs) that are drug resistant; inadequate national health facilities; mobility of the population, and the trafficking of children and women. Unprotected heterosexual sex is the dominant mode of HIV transmission in Cambodia.[2]

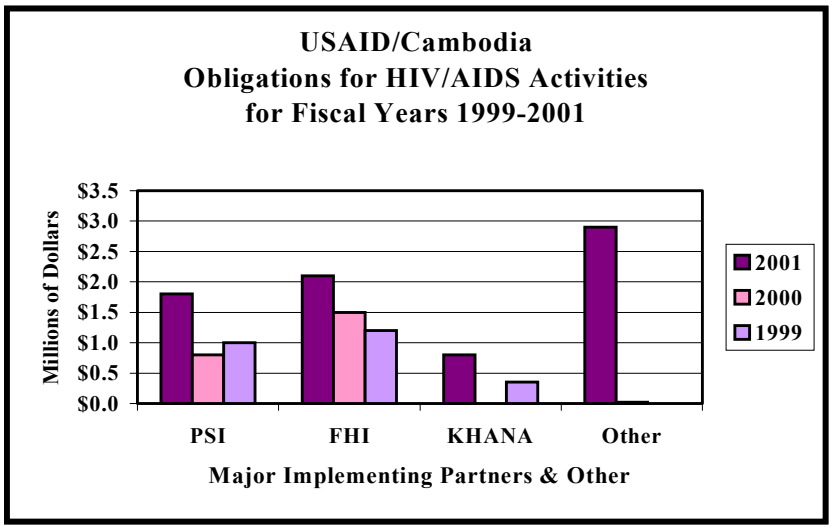
USAID/Cambodia funding for HIV/AIDS activities increased from $2.5 million in fiscal year 1999 to $10 million in fiscal year 2001.[3] The Mission has focused its efforts in combating the HIV/AIDS epidemic on effecting behavioral change and improving STD Care. Mission activities have targeted high-risk groups

[2] *HIV/AIDS Briefs, Cambodia and HIV/AIDS Summary*, United States Agency for International Development, May 2001.

[3] *USAID/Cambodia's Resource Request and Results Review Report*, April 2001.

which drive the HIV/AIDS epidemic including brothel-based commercial sex workers and their clients (especially uniformed servicemen), freelance sex workers (beer promoters and bar girls), and mototaxi drivers.

USAID/Cambodia has three major partners implementing its HIV/AIDS prevention activities: Family Health International (FHI), Population Services International (PSI), and the Khmer HIV/AIDS Non-Governmental Organization Alliance (KHANA). In addition, the Mission has funded a number of smaller prevention programs through other partners. A breakdown of the Mission's funding by implementing partner is shown in the following chart.



This chart illustrates the breakdown of Mission funding by implementing partner for fiscal years 1999 to 2001. Funding levels for fiscal year 2001 are as follows: $ 1.8 million for PSI, $2.1 million for FHI, $0.8 million for KHANA and a total of $2.9 million for other partners and certain program positions.[4]

[4] Information was provided by USAID/Cambodia and is unaudited.

Audit Objectives

This audit is one of a series of audits to be conducted worldwide of USAID's monitoring of the performance of its HIV/AIDS program at the mission level. The Performance Audits Division of USAID's Office of Inspector General (OIG) is leading the audits. The Regional Inspector General, Manila (RIG/Manila) conducted this audit.

The audit objectives and the scope and methodology for the audit were developed in coordination with USAID's HIV/AIDS Division in the Bureau for Global Programs, Field Support and Research (now the Bureau for Global Health). RIG/Manila performed this audit to review USAID/Cambodia's HIV/AIDS program and specifically, to answer the following audit objectives:

- Did USAID/Cambodia monitor performance of its HIV/AIDS program in accordance with Automated Directives System guidance?
- Is USAID/Cambodia achieving intended results from its HIV/AIDS program?
- What is the status of USAID/Cambodia efforts to meet anticipated HIV/AIDS reporting requirements?

Appendix I describes the audit's scope and methodology.

Audit Findings

Did USAID/Cambodia monitor performance of its HIV/AIDS program in accordance with Automated Directives System (ADS) guidance?

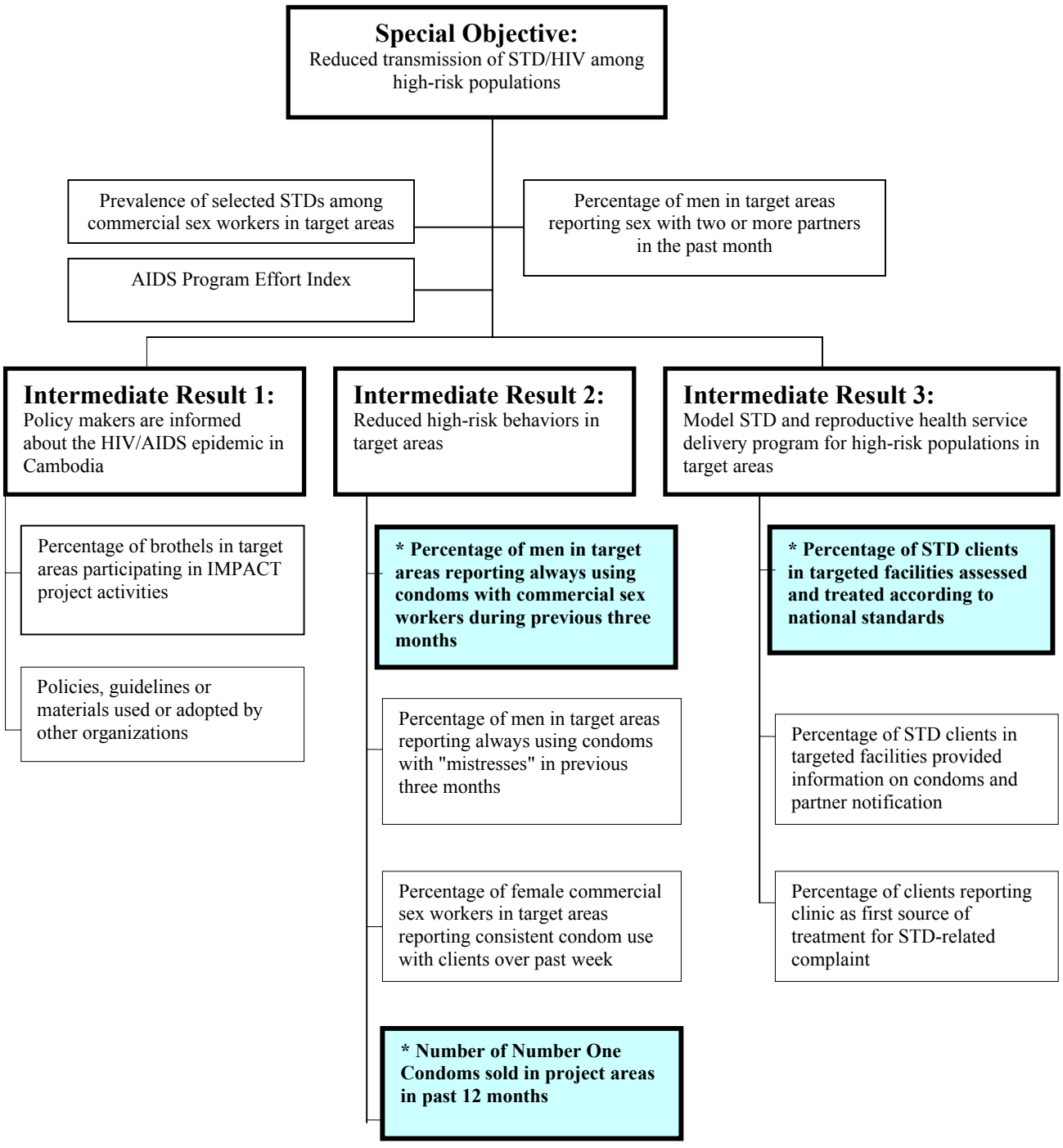
USAID/Cambodia complied with some of the Automated Directives System (ADS) guidance in monitoring performance of its HIV/AIDS program. However, USAID/Cambodia needs to strengthen its monitoring system by (1) preparing a performance monitoring plan that meets the requirements of USAID guidance; (2) establishing performance targets, and (3) assessing the quality of performance data. Moreover, USAID/Cambodia needs to increase the monitoring of their activities and to address several areas requiring management attention. These areas discussed on pages 14 to 20 include: (1) ensuring that its implementing partner, Population Services International, implements controls over its operations in Cambodia, and (2) establishing performance measures for activities for children affected by AIDS.

ADS guidance outlines USAID policies and procedures for implementing a performance monitoring system which includes monitoring measures such as performance monitoring plans, establishing performance baselines and targets,

evaluations, portfolio reviews, progress reports, and special studies. In accordance with the ADS, the Mission prepared a performance monitoring plan (PMP) which contained some of the required information, i.e., indicator definition, data source, data collection methods, data collection schedules, and disclosed data limitations. In addition, the Mission established baselines for some indicators in the plan. The Mission has also used other monitoring tools such as portfolio reviews and a mid-term evaluation of Family Health International's IMPACT (Implementing AIDS Prevention and Care) project.

USAID/Cambodia organizes its HIV/AIDS activities under the special objective: "Reduced Transmission of STD/HIV among High-Risk Populations." This special objective has three intermediate results which focus on policy advocacy, condom use, and STD care. The Mission included twelve performance indicators in its PMP to report progress of its on-going activities. The schematic on the next page reflects the relationship between the HIV/AIDS special objective, the three intermediate result objectives, and the performance indicators under each objective. The shaded boxes represent the three indicators which the Mission officials and auditors selected for this review (these three indicators are also marked by asterisks.)

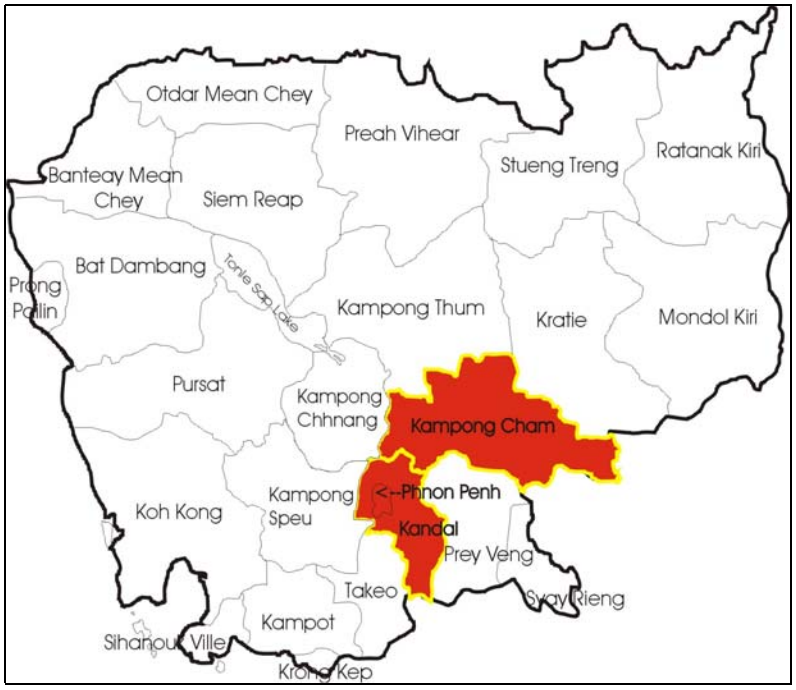
Graphic Presentation of USAID/Cambodia's HIV/AIDS Performance Indicators



This graphic shows USAID/Cambodia's performance indicators for its HIV/AIDS program, both at the "special objective" and at the "intermediate results" levels. The three indicators selected for review are marked by asterisks.

At the start of the audit work, the auditors in collaboration with Mission officials decided to focus the review on the three highlighted performance indicators in the previous diagram—namely: (1) Condom Sales, (2) Condom Use, and (3) STD Care. All three indicators are at the intermediate results level for the activities the Mission is carrying out in targeted areas.[5] Mission officials believed that these three indicators give the best overall sense of progress being made in its HIV/AIDS programs in year 2000. (See map below for location of the IMPACT project's target areas.)

Cambodia



The highlighted locations on this map illustrate the IMPACT project target areas for years 1998 to 2000. The target areas consist of Phnom Penh, Kandal, and Kampong Cham.

For the three indicators reviewed, the Mission's performance monitoring plan provided some of the information required for such a plan, such as indicator definition, data sources, data collection methods, schedules for data collection, and the disclosure of known data limitations. In addition, the results reported for one of the three indicators, Condom Use, agreed with source documents specified in the plan. Nonetheless, the audit found certain areas in which the performance monitoring system could be improved. For example, the Mission's performance monitoring plan was not as complete as specified by

[5] According to the Mission's performance monitoring plan, target areas for the IMPACT project consist of Phnom Penh, Kampong Cham, and Kandal for results related to condom use and STD care indicators. The target area for condom sales is the entire country.

ADS guidance. In addition, no performance targets were established for two of the three indicators, and no data quality assessments were conducted for any of the three indicators. These opportunities for improvement are discussed below and summarized in Appendix IV.

Need to Strengthen Performance Monitoring Plan And Establish Performance Targets

ADS 201.3.4.13 states that at a minimum, a performance monitoring plan (PMP) must provide a detailed and precise definition of performance indicators to be tracked; specify the source, method and schedule for data collection; and assign responsibility for data collection to a specific office, team, or individual. Similarly, a PMP must disclose known data limitations and describe procedures for data quality assessments. In addition, USAID guidance requires missions to review and update their respective performance monitoring plans annually and to establish performance targets. Nevertheless, our review of the Mission's PMP concluded that the Mission's PMP for the HIV/AIDS special objective did not meet all the requirements of USAID guidance. In addition, the Mission did not establish performance targets for Condom Use and STD Care indicators. According to Mission officials, the principal causes for these shortcomings were (1) the Mission's Program Office being short-staffed, and (2) a change in the Mission's plans and priorities—and the development of a new strategic plan.

Specifically, for the three indicators reviewed, the Mission's PMP did not follow USAID guidance in four areas:

- Providing precise definitions of indicators;
- Specifying the source and method for data collection;
- Assigning responsibility for data collection; and
- Describing the procedures for data quality assessments.

Without a complete and updated performance monitoring plan, the Mission does not have an effective monitoring and reporting system. Similarly, without establishing performance targets, the Mission can not judge whether its HIV/AIDS program is making progress as planned.

The following section will discuss the first three of the four shortcomings in the Mission's PMP, followed by a short discussion on the need to establish performance targets. The fourth shortcoming in the PMP (establishing procedures for data quality assessments) will be discussed in a separate finding entitled the "Mission Should Assess Data Quality."

Providing Precise Definition of Indicators - USAID policy requires a performance monitoring plan to provide consistent and precise definition of performance indicators to assure that comparable data is collected on a regular

and timely basis. The audit found that the Mission's performance monitoring plan did not fully provide consistent and precise definition for the three indicators reviewed. Therefore, performance comparability over the years was obscured.

For instance, the Mission's performance monitoring plan defines the condom sales indicator as "Number of Number One condoms sold in the project areas in the last twelve months." However, we noted a discrepancy between what the indicator was established to measure and what was being measured. While the indicator was to measure the number of condoms sold, the Mission has instead reported the number of condoms distributed. According to Population Services International (PSI), the number of condoms distributed includes two components: actual condom sales, and free samples of condoms that PSI and its distributing partners give away for promotional purposes. The distinction between condoms sold and condoms distributed is important for two reasons: first, giving away free condoms does not constitute a sales transaction. And second, PSI and its affiliated partners have given away a large number of free condoms over the years. For example, the number of free samples ranged from 700,000 in year 2000 to 1.2 million in year 2001—or four to eight percent of total sales in each year respectively.

The condom use indicator lacks clarity as to how the change in the value is to be measured. For example, the timeframes for condom use have varied over the years. In 1997 and 1998, questions in behavioral surveillance surveys about using condoms did not specify a timeframe. Thus, the indicator was defined as "Percentage of men in target areas reporting always using condoms with commercial sex workers in the most recent sex act." However, in 1999 the timeframe "…in the last three months" was added to the definition to replace "…in the most recent sex act." Therefore, the condom use definition was changed to "Percentage of men in target areas reporting always using condoms with commercial sex workers in the previous three months." The Mission's results report stated that the change of the indicator definition was necessary to conform to the data available from Cambodia's national behavioral surveillance survey.

Finally, the Mission's PMP did not precisely define the STD Care indicator. The indicator as currently defined does not specify the types of sexually transmitted diseases being evaluated and treated, making it difficult to ensure that performance results are consistently collected. In order for the Mission to be able to measure the results of its HIV/AIDS program, it needs to establish a set of consistently and precisely defined indicators to track performance progress. Otherwise, the Mission has no assurance that it is reporting accurate and comparable results over time.

Specifying the Source and Method for Data Collection - USAID policy requires missions to specify the source and the method of collecting performance data in their performance monitoring plans (PMP) in order to ensure that different people at different times would collect identical types of data for the specific indicator. For the STD Care indicator, the Mission planned an external evaluation for the baseline assessment in 1999 and stated so in its PMP. However, the audit found that the baseline was assessed through a STD survey study completed by two of Family Health International's staff members in April 2000. According to Family Health International officials, the baseline value the Mission reported in year 2001 was erroneous and being recalculated. Additionally, the Mission did not specify in its PMP how the baseline data was to be collected.

Management for results requires missions to hold implementing partners accountable for results. To achieve such accountability, USAID/Cambodia should increase its monitoring of the cooperating partners' activities to ensure that the HIV/AIDS program is carried out as planned. Additionally, the Mission should specify the methodology by which baseline data was collected in its PMP in order to have reasonable assurance that comparable performance data is collected for the indicator over time.

Assigning Responsibility for Data Collection - USAID policy requires that missions assign the responsibility for data collection to a specific office, team, or individual in their performance monitoring plans to ensure timely collection of performance data. For the three indicators reviewed, the Mission's PMP did not identify who was responsible for data collection. Without assigning such responsibility, the Mission has no assurance that data is collected as required.

Establishing Performance Targets - Agency guidance requires the establishment of performance targets. ADS 201.3.4.10(b) states that strategic objective teams should identify performance measures and formulate activities required to achieve those results for which the operating unit is taking responsibility. Per the ADS, the next steps include "developing a complete set of performance indicators, establishing related baselines and targets, and developing a Performance Monitoring Plan." USAID guidance requires missions to establish performance baselines and targets during the program planning stage. Nonetheless, Mission officials were not entirely aware of such requirements. In fact, Mission officials were not certain whether they are required to report on the progress of the program because HIV/AIDS activities are organized under a special objective. Our review of the three indicators found that the Mission did not establish performance targets for two of the three: Condom Use and STD Care.

Neither the Mission nor its implementing partners established performance targets for these two indicators. As for the third indicator, Condom Sales, the cooperative agreement with Population Services International established targets

for expected total sales as well as expected sales to provinces outside of Phnom Penh. Without establishing performance targets, the Mission cannot judge whether progress is being made as planned.

It is apparent from the above discussion that the Mission's performance monitoring plan did not completely meet USAID policy requirements, partially because Mission officials were not fully aware of those requirements and, to some extent, because of being short-staffed. According to Mission officials, the Monitoring and Evaluation Advisor position was vacant since early 2000. However, it should be noted that this position was filled in February of year 2002.

Without a performance monitoring plan that fully complies with USAID policy, the effectiveness of the Mission's monitoring system may be compromised. Equally important for effective performance monitoring system is establishing performance targets, as targets allow missions to judge whether progress is being made as planned. We therefore, are making the following recommendations.

Recommendation No. 1: We recommend that USAID/Cambodia:

1.1 prepare a performance monitoring plan for the Mission's new strategic plan in accordance with the Automated Directives System.

1.2 establish performance targets as required by USAID guidance to allow a determination of whether the HIV/AIDS program is making progress.

Mission Should Assess Data Quality

USAID policy requires missions to assess the quality of performance data when establishing indicators and at least every three years after that. The Mission's implementing partners were the source of the performance data we reviewed. USAID policy requires missions to assess the quality of such data to ensure that performance information is reliable. Nevertheless, the audit found that the Mission did not assess the quality of performance data for the three indicators reviewed by the audit. In fact, the Mission reported erroneous results for Condom Sales and STD Care indicators, a situation that likely would have been discovered had an assessment been done as required. Mission officials stated that the Mission did not assess data quality because the Mission's Program Office has been short-staffed. In addition, the Mission's performance monitoring plan did not describe the procedures needed for conducting data quality assessments.

Because of a failure to do data quality assessments, erroneous data was reported. For example, the Mission measures condom sales by the number of condoms

sold in project areas during the last 12 months. For year 2000, Population Services International (PSI) reported total sales of 16 million condoms, and had established a corresponding annual target of 14 million. Accordingly, the Mission reported to Washington that PSI had increased condom sales to 16 million, an excess of 20 percent over the implementing partner's annual target. However, as explained above, the indicator actually measured the number of condoms distributed—not sold. Had the Mission assessed the quality of its cooperating partner's performance data, it would have reported total sales of only 15.4 (16 million distributed minus 0.6 million in free samples), or an excess of only ten percent over the annual target.

Additionally, performance data reported for STD Care was misstated. According to Family Health International officials, the baseline figure of 64 percent which the Mission reported for the year 2000 was incorrect and is being re-calculated.

Periodic data quality assessments provide management with reasonable assurance that data quality is sufficient for sound management decisions. Without data quality assessments, USAID/Cambodia did not have reasonable assurance that data used to make management decisions were reliable.

> **Recommendation No. 2: We recommend that USAID/Cambodia assess the quality of performance data and document the procedures to be used in the performance monitoring plan as required by Agency directives.**

PSI Needs to Implement Controls Over Its Operations in Cambodia

USAID/Cambodia entered into an agreement with Population Services International (PSI) in 1996 to supply and market condoms under the HIV/AIDS program in Cambodia. In return, the Mission agreed to pay PSI's operating costs up to $6.5 million. However, the audit found that controls over PSI's operations were generally inadequate, particularly in the areas of cash transactions, condom sales, condom inventory, segregation of duties, and procurement. Although PSI's own policies established control requirements over these areas, the PSI program office in Cambodia has yet to comply with them. Consequently, we are not certain whether PSI has established an effective control environment to protect project resources from theft, waste, or misuse. In fact, during the course of the audit, the auditors received numerous allegations of fraud being committed by PSI personnel. These allegations were subject to a joint audit and investigative review.

There are Federal regulations—as well as PSI policies—that require the establishment of adequate internal controls. The U. S. Code of Federal

Regulations requires PSI to maintain effective controls over and accountability for all funds, property, and other assets under the cooperative agreement with USAID/Cambodia. Nonetheless, our review of the Mission's monitoring activities concluded that the Mission fell short of adequately collaborating with PSI officials to establish or monitor these controls. In addition, PSI personnel were generally unaware of such requirements.

Our review covered controls pertained to:

- Cash Transactions,
- Condom Sales,
- Condom Inventory,
- Segregation of Duties, and
- Procurement.

The discussion below details the lack of oversight and internal control weaknesses found in these areas.

Cash Transactions - PSI policy requires country program offices to establish internal controls to safeguard cash resources. Specifically, PSI policy holds country representatives responsible for establishing controls. These controls include the following:

- Cash receipts greater than $500 must be deposited in the same business day (cash less than that amount must be deposited within three business days);

- Personnel having custody of cash may not also record sales transactions or make cash deposits;

- Petty cash disbursements should not exceed $50; and

- Disbursements must be made by check to bona-fide business entities.

Nevertheless, PSI did not implement the four controls mentioned above in many instances. These instances are described below.

1. Contrary to the same-business-day deposit policy, PSI kept cash receipts from the sale of condoms in a safe and only deposited the cash in the bank once a month. According to PSI officials, cash was not deposited in a timely manner so that it could be used to pay for day-to-day operating expenses. For example, cash-on-hand from the sale of condoms and contraceptive pills in August 2001 reached $21,000 and was not deposited in the bank until September 20, 2001.

2. In addition, the policy requiring segregation of the duties has not been implemented. For example, sales representatives were allowed to deposit cash receipts. Further, another sales representative had custody of cash and sales records.

3. With regard to petty cash, the auditors noted a cash disbursement for $450 for promotional items, in addition to six other petty cash disbursements over the $50 dollar limit.

4. Contrary to the policy requiring that checks be made out to bona-fide business entities, PSI issued numerous checks in the business owner's name rather than to bona-fide business entities.

Without adequate controls and oversight over cash transactions, PSI is heightening the risk of exposing its most liquid resources to loss or theft.

Condom Sales - PSI's marketing and sales department, consisting of eight sales representatives and a marketing manager, sells condoms on a cash basis to non-governmental organizations and to wholesalers throughout Cambodia. According to PSI records, condom sales receipts totaled $170,074 and $135,941 in years 2000 and 2001, respectively, and approximately 15.4 million condoms and 15.2 million condoms were sold respectively in those years.[6]

PSI policy holds country representatives responsible for establishing a system of effective controls over sales including the following:

- Sales are to be recorded on the same day as the sales are made;
- Related duties are to be performed by different individuals; and
- Sales tickets are to be pre-numbered.

However, controls over sales were not in place, a practice that could adversely affect PSI's ability to protect its resources. The following examples illustrate control deficiencies.

1. Even though policy requires sales to be recorded on the same day sales are made, the audit found that PSI management allowed sales to be recorded whenever sales representatives return cash proceeds from the condom sales to the office—once or twice a month at most.

[6] The condom sales figures in years 2000 and 2001 have been adjusted for free samples given away. (See finding on page 24.)

2. As for segregation of duties, PSI has yet to establish this control because its management permits sales representatives to complete sales duties from beginning to end. For example, sales representatives took sales orders, delivered condoms, billed customers, and collected cash for condoms sold.

3. With regard to pre-numbered sales tickets, even though PSI has used such sales tickets, they are not accounted for on a regular basis. During the audit, the auditors performed limited testing to confirm the existence and accuracy of eleven randomly selected sales transactions. The testing revealed that two sales tickets were missing for which duplicates were created without authorization. More importantly, PSI neither checked nor investigated the missing tickets.

Without oversight and a properly designed and functioning system of controls, PSI has no way of knowing whether or not sales are recorded on time—or if sales are recorded at all.

Condom Inventory - PSI purchases condoms from Thailand, and they are temporarily stored in an off-site warehouse before they are transferred to the main PSI building in Phnom Penh for packaging. The packaged condoms are then stored in two stockrooms before issuing them to sales representatives.

PSI policy holds the country representative responsible for establishing warehouse controls in order to protect project commodities, equipment, and other materials. These controls include conducting a warehouse inventory at least twice a year.

The audit revealed several problems with inventory management:

1. With regard to warehouse inventory policies, PSI officials stated that no physical counts of inventory were performed in the years 2000 and 2001. The auditors performed a physical count of condoms in the stockrooms as of February 26, 2002 and noted discrepancies between manual records, computerized records, and the actual physical count. The manual records showed 14,609 cartons while the computerized records showed 14,922 cartons. The actual physical count was only 14,249, or a shortage of 360 cartons when compared to the manual records and 673 cartons when compared to the computerized records.

2. The stockrooms did not have air conditioning (Condom packaging generally requires storage in cool and dry places), and 36 boxes (1,800 cartons totaling 180,000 condoms) were stored out in the open in an unsecured area outside the stockroom.

Without proper controls over inventory, PSI exposes its inventory to theft or loss. In addition, storing condoms under improper conditions may expose them to spoilage or damage. Without managing inventory as required by its own policy, PSI has not implemented measures that would reduce the risk of inventory loss and spoilage.

Segregation of Duties - Segregation of duties is emphasized throughout PSI's policies with the goal that no one individual should be responsible for more than one of the following duties: authorizing transactions, recording transactions, executing transactions, or having custody of assets.

However, PSI's marketing manager performed almost all of the above duties with regard to promotional items. He determined the need for promotional items, procured them, received them, and also directed their distribution. Furthermore, even though PSI has some guidelines for distributing promotional items, its marketing department has not followed them consistently.

PSI expended $111,991 and $109,526 in 2000 and 2001, respectively, for promotional items. These items consisted of watches, t-shirts, shorts, clocks, umbrellas, coasters, smocks, hats, calendars, key chains and cigarette lighters. PSI has not followed its own policy with regard to segregation of duties, a practice that increases the probability of unintentional errors or fraud—or the procurement of unneeded or unauthorized promotional items.

Procurement - PSI policy requires field offices to establish a procurement function. PSI's country representative stated that it was not feasible to set up a procurement function in the Cambodia office due to limited resources. Consequently, we are not certain that appropriate procurement practices are being followed.

However, individual departments procured goods and services for their own activities. This practice undoubtedly introduces risks into the procurement process. Unneeded or unauthorized procurements can be made. Suppliers can be overpaid with kickbacks being made to employees. And there is an increased risk of resources being stolen or misused without detection.

We recognize that no matter how well it is designed and operated, an internal control system can provide only reasonable assurance that resources are protected. However, without a system of controls—particularly in the area of procurement—the likelihood of fraud and irregularities increases.

Recommendation No. 3: We recommend that USAID/Cambodia contract for a review of all expenditures charged under the Population Services International agreement since 1998 for allowability, reasonableness, and allocability.

Recommendation No. 4: We recommend that USAID/Cambodia work with Population Services International to establish a plan to implement acceptable controls over project operations especially in the areas of cash transactions, condom sales, condom inventory, segregation of duties, and procurement.

Need to Establish Performance Measures for Children Affected by AIDS Activities

USAID Guidance on the Definition and Use of Child Survival and Disease Funds states that USAID has agreed with the Congress that in return for increased funding for HIV/AIDS, USAID will closely monitor the use and impact of such funds. This monitoring includes reporting on progress in reducing or keeping HIV prevalence low, providing access for HIV infected pregnant women to interventions that will reduce mother-to-child transmission and increasing support to orphans and children affected by AIDS. USAID/Cambodia funded a $1 million program for children affected by AIDS (CAA) that includes support to orphans affected by AIDS. Performance measures had yet to be established. Mission officials indicated that performance measures had not been established for this program because the program is relatively new. However, without such performance measures, the Mission will be unable to monitor or assess the development impact of its CAA activities.

The HIV/AIDS epidemic in Cambodia has had a substantial impact on children, both through the loss of parents and the infection of children themselves. Since 1991 there has been an estimated 13,000 Cambodian children who lost one or both parents to AIDS.[7] At the end of 1999, it was estimated that 5,400 Cambodian children under 15 years of age were living with HIV/AIDS, and that there were 11,650 Cambodian orphans due to AIDS under the age of 15.[8]

USAID/Cambodia received supplemental funds of $1 million in fiscal year 1999 to start children affected by AIDS activities. Family Health International and KHANA (Khmer HIV/AIDS Non-Governmental organization Alliance) have implemented a wide range of interventions through a network of 14 indigenous non-governmental organizations to address the needs of such children (infants, youths within families and street youths) who are vulnerable to or orphaned by AIDS.

[7] *Joint United Nations Programs on HIV/AIDS (UNAIDS) National AIDS Programs,* 2000.

[8] *World Health Organization, Epidemiological Fact Sheet, Cambodia,* 2000 Update.

USAID guidance (ADS 201.3.4.13) requires missions to utilize the PMP to define specific performance indicators, and to plan and manage the performance results collection process. As a result, Mission officials have therefore agreed that a performance measure for activities for children affected by AIDS will be established under the Mission's recently approved new strategic plan.

Without such a performance measure, USAID/Cambodia is unable to systematically monitor and assess the development impact of its CAA activities. Performance measures are needed to judge the effectiveness of such interventions.

> **Recommendation No. 5: We recommend that USAID/Cambodia include appropriate performance measure(s) in its performance monitoring plan to measure the results of its activities for children affected by AIDS.**

Is USAID/Cambodia achieving intended results from its HIV/AIDS program?

As of the year 2000, the Mission exceeded the intended results for one of the three indicators reviewed: Condom Sales; however, the audit cannot draw a conclusion on the other two: Condom Use and STD Care. While reported results for Condom Use have shown an increasing trend over the last several years, the Mission did not set performance targets for the indicator in its results report until the year 2000. Similarly, no targets were established for the STD Care indicator. Thus, the audit cannot conclude definitively whether or not the Mission has achieved the intended results for these two indicators. In addition, program goals of distributing condoms outside of Phnom Penh, goals which were specified in the cooperative agreement between the Mission and Population Services International, were not being achieved as planned.

The audit attempted to assess results achieved for the year 2000. However, measuring achievement of intended results in a given year is complicated by the fact that not all indicators are measured every year—and for one of the three indicators reviewed, the Mission was slow in establishing a baseline. According to the Mission's performance monitoring plan, some indicators are measured on an annual basis, while others are measured every two or three years. Therefore, of the three indicators selected for testing, the audit has had to evaluate progress in different years. For Condom Sales, we evaluated progress reported in year 2000. For Condom Use, the audit evaluated results reported for year 1999. As for STD Care indicator, the Mission only established a baseline in year 2000, making it impossible for the audit to evaluate progress made as of that year.

Results achieved for these three indicators (Condom Sales, Condom Use, and STD Care) are discussed below, as well as results achieved for the program goal of distributing condoms outside of Phnom Penh.

Condom Sales – The Mission's condoms sales indicator measures "The Number of 'Number One' condoms sold in the project area over the past 12 months."[9] PSI managed this project and distributed condoms to non-governmental organizations, pharmacies, brothels, hotels, street vendors and market stalls. PSI had reported sales of 16 million and 16.4 million in the years 2000 and 2001 respectively. However, as discussed on pages 10 and 11, these "sales" in fact included free samples that were given away for promotional purposes. The table below shows actual sales figures.

Condoms Distributed and Sold from 1996 to 2001 (unaudited)

Year	Targets (million pieces)	Distributed (million pieces)	Free Samples (million pieces)	Sold (million pieces)
2001	16.0	16.4	1.2	15.2
2000	14.0	16.0	0.7	15.3
1999	12.6	12.9	0.2	12.7
1998	13.2	11.5	0.2	11.3
1997	10.2	10.5	0.2	10.3
1996	8.5	9.5	0.1	9.4

This chart illustrates targets for condom sales, total condoms distributed, free samples distributed and adjusted sales of condoms for years 1996 to 2001. Distributed condoms are reduced by free samples given away for promotional purposes to arrive at actual condom sales.

Although condom sales generally increased over time, they did not consistently meet or exceed performance targets (see table above). Project officials stated that lower sales figures in 2001 resulted, at least in part, from inventory depletion during a part of that year.

Condom Use – Condom use is measured as the "Percentage of men in target areas reporting always using condoms with commercial sex workers in previous three months." The Mission has collected data for this indicator for uniformed servicemen, and has reported 70 percent use in 1999 to reflect progress made thus far. (See table below.) However, since targets were not set for 1999 or earlier years, and results were unavailable for the year 2000, we could not tell if intended results were being achieved.

[9] Number One is a brand name for condoms repackaged and distributed by PSI in Cambodia.

Condom Use from 1997 to 1999 (unaudited)

Year	Planned (Percentage)	Actual (Percentage)
2000	75	–
1999	–	70
1998	–	55
1997	–	43

This chart reports condom use for the years 1997 to 1999. As the table illustrates, the Mission only established a performance target in year 2000.

Condom use has been tracked for uniformed servicemen because national behavioral surveillance surveys have identified such servicemen as a "bridge population" for transmitting HIV to the general population. Since 1999, the IMPACT project has made this high-risk group a priority target for HIV/AIDS prevention by instituting a peer education program. The primary focus of the peer education program is to provide training and outreach to promote safe sex through condom use. The IMPACT project has complemented its peer education program with in-service STD Care training to military health care providers. The project also supports the host government's 100 percent condom use policy and has carried out other sexual health programs.

STD Care – Data for the sexually transmitted diseases (STD) indicator has only recently become available. Progress under this indicator is measured as the "Percentage of STD-clients in targeted facilities assessed and treated according to national standards." The reported result of 64 percent for the year 2000 (the first year for which such data is available) measures the percentage of individuals among high-risk populations with STDs in project supported facilities who were assessed and treated according to the national standards.

Targets were also only recently established. According to the Mission's performance monitoring plan, a baseline evaluation for the STD indicator was planned for 1999. However, due to a disagreement with the host government over a modification of the national protocol for STD treatment, the study to collect baseline data was only completed in 2000 and was reported as a baseline figure for that year (see chart below). Therefore, the audit cannot draw a conclusion since it is too early to tell if progress has been made.

STD Care Performance from 1999 to 20002 (unaudited)

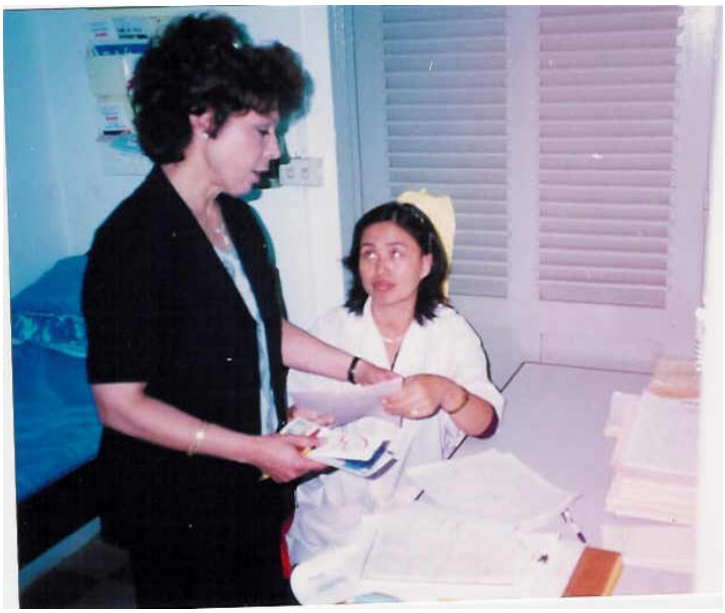
Year	Targets (Percentage)	Actual (Percentage)
2002	90	–
2001	75	–
2000	–	64
1999	–	–

This chart illustrates that targets for STD Care were not set until 2001 and that data on performance was available for 2001only.

According to Mission documents, a leading cause for the HIV/AIDS epidemic in Cambodia is the high prevalence of sexually transmitted diseases (STDs), 50 percent of which are asymptomatic. The presence of sexually transmitted disease places individuals with unsafe sex behaviors at a higher risk of acquiring an HIV infection. Therefore, prevention and early treatment of STDs can be an effective measure to contain the HIV epidemic. According to Mission data, a 1996 study revealed that 44 percent of brothel-based sex workers and 17 percent of men examined had at least one STD infection. Lack of affordable STD drugs and drug resistance contributes to the high STD prevalence.[10] To address the STD problem, Family Health International has provided in-service training to health care providers that serve high-risk groups, conducted STD surveys, and provided STD treatment to commercial sex workers.

Progress in this area, however, remains questionable. FHI officials stated that the STD result of 64 percent was erroneous and was being recalculated in accordance with the national protocol for STD care. In addition, project inputs to date may be too limited to have measurable impact on the STD epidemic. The IMPACT project has trained only 46 and 25 health care providers in years 2000 and 2001 respectively. A Mission study dated June 2001 also noted that the number of health care providers trained has been rather small to have a measurable impact on combating STDs in Cambodia.

[10] *HIV/AIDS Briefs, Cambodia and HIV/AIDS Summary,* Agency for International Development, May 2001.



This photograph shows an auditor and an STD clinic nurse discussing treatment of commercial sex workers. (November 2001, Svay Pak, Cambodia)

Increase Availability of Condoms in Provinces and Military Bases

Population Services International (PSI) has yet to meet the cooperative agreement goal of increasing condom sales in provinces outside of Phnom Penh. According to the cooperative agreement with PSI, 70 percent of condom sales in the year 2000 were to be made in provinces outside of Phnom Penh. However, the audit found that only 47 percent or 7.5 million condoms were sold outside of Phnom Penh. PSI has not achieved this goal for two primary reasons. First, PSI has been unable to link up with a nationwide wholesaler. Second, PSI has focused on cost recovery as a management priority. As a result, condoms are still not widely available outside of Phnom Penh, especially in rural areas where about 83 percent of Cambodians live, and in remote military bases. Insufficient supply of condoms to those most at risk of contracting HIV/AIDS and other sexually transmitted diseases in remote areas may hamper the Mission's efforts to reduce transmission of HIV/AIDS in Cambodia.

According to the cooperative agreement, PSI established targets for condom sales outside of Phnom Penh at 65 percent of total sales in 1999, 70 percent in year 2000, and 65 percent in year 2001. However, only 52 percent, 47 percent, and 40 percent of total sales were distributed outside of Phnom Penh in 1999, 2000, and 2001 respectively. The table below reports established targets and actual sales outside Phnom Penh from 1996 to 2001. As the table indicates, PSI has yet to attain the established targets.

Planned and Actual Condom Sales Outside of Phnom Penh from 1996 to 2001 (unaudited)

Year	Planned condom sales outside of Phnom Penh (Percentage)	Actual condom sales outside of Phnom Penh (Percentage)
2001	65	40
2000	70	47
1999	65	52
1998	65	44
1997	50	40
1996	–	42

This chart illustrates PSI's planned and actual condom sales in areas outside of Phnom Penh for the years 1996 to 2001.

A USAID/Cambodia assessment dated June 2001 noted that PSI has not been able to link up with a nationwide distributor, and consequently, condoms are not widely available in rural areas. Moreover, the assessment found that while condoms are available in brothels, they are not readily available in hotels and guesthouses which are frequented by freelance commercial sex workers and their male clients.

Additionally, the IMPACT project's mid-term evaluation noted that condom availability in military camps has been limited and recommended that both FHI and PSI collaborate to ensure condom availability, especially in remote military sites. In a concept paper for collaboration with PSI dated 2001, FHI drafted a proposal to work with PSI to ensure availability of condoms for its peer education program in remote military bases. The proposal called for a pilot social marketing program among military units, a program which was, per project officials, turned down by the military authority because of the cost involved in acquiring condoms to military personnel.

The national behavioral surveillance surveys have found uniformed servicemen to be at higher risk of contracting and transmitting HIV/AIDS than other groups because of mobility, separation from family for long periods, and a high frequency of soliciting sex. Although PSI has supported the host government's 100 percent condom use policy by ensuring an adequate supply of condoms to brothels frequented by military servicemen, its efforts to make condoms available to the military did not start until 1999.

In addition to the condom sales program, PSI entered into an agreement with the World Health Organization (WHO) in November 1999 to purchase 3.5 million condoms to be distributed free to Cambodian military servicemen. Under the

agreement, PSI is responsible for distributing condoms to 33 military units in 21 provinces over one year from the date the agreement was signed.

The following table reports on condoms distributed to the Cambodian military under the WHO agreement through the end of 2001.[11]

Condom Distribution to Military since 1999 (unaudited)

Year	Number of Condoms Distributed to Military Units (million pieces)
2001	0.2
2000	1.4
1999	0.0

This chart shows PSI condom distribution to Cambodian military under the World Health Organization agreement.

So far, PSI has supplied a total of 1.6 million condoms to the Ministry of National Defense in Phnom Penh. The Ministry then redistributed condoms to military units in remote areas. As shown in the table, there was a decrease in distribution in 2001. There are two reasons for this. First, according to PSI officials, PSI had experienced a complete stock out of condoms in November 2001. Second, PSI slowed distribution in 2001 due to allegations that Cambodian military commanders were selling condoms that were to be provided for free to uniformed servicemen.

While we acknowledge that PSI has made efforts to meet its goal of increasing condom sales outside of Phnom Penh, it has fallen short of its targets. Because of great disparities in HIV/AIDS prevalence among different groups and geographic areas in Cambodia, we recommend that extra efforts be made to reach these under-served areas.

Recommendation No. 6: We recommend that USAID/Cambodia coordinate with Population Services International to ensure increased availability of condoms to provinces and military bases.

[11] Sales figures in the table are obtained from PSI's condom sales reports for years 2000 and 2001.

What is the status of USAID/Cambodia's efforts to meet anticipated HIV/AIDS reporting requirements?

According to USAID/Cambodia officials, the Mission is at a transitional stage moving from the existing "special objective" to a new "strategic objective," which will integrate HIV/AIDS and Reproductive and Child Health activities. Mission officials stated that the Mission will prepare a performance monitoring plan to achieve such integration and to address the new HIV/AIDS reporting requirements. These requirements are included in USAID's draft "Expanded Response Monitoring and Evaluation Guidance." This draft guidance, while not yet in effect, has nevertheless been widely circulated and discussed within USAID and is expected to be finalized in the near future. The guidance includes establishing and reporting on a limited number of key HIV/AIDS indicators (both at national and program-specific level), the use of standard indicators to monitor progress, and the specification of targets for achieving these changes in countries which are receiving increased funding for their HIV/AIDS programs.

Due to the significant increase in HIV/AIDS funding from 1999 to 2001 (see chart on page 4), there has been a great deal of interest in monitoring the results of USAID assistance. In March 2000, USAID's Global Bureau (now the Bureau for Global Health) developed a handbook of standard indicators that operating units could use to measure the progress of their HIV/AIDS programs. In March 2001, the U.S. General Accounting Office (GAO) issued its report on USAID's fight against AIDS in Africa and the need to be able to better monitor progress. The GAO report recommended that USAID units adopt standard indicators to measure program performance, gather performance data on a regular basis, and report data to a central location for analysis.

In response to the increased funding for HIV/AIDS programming, USAID initiated a "rapid response" program to allocate these funds. USAID's draft monitoring and evaluation guidance establishes several global targets that USAID would need to achieve because of the additional funding and would require missions to routinely monitor and evaluate their HIV/AIDS programs in a definitive and systematic way. As a "rapid scale-up country," the draft guidance would require USAID/Cambodia to implement this enhanced monitoring and reporting system. The system would collect and report information at three levels:

- At the first level, USAID/Cambodia would be required, by 2007, to develop a national sentinel surveillance system to report annually on HIV incidence rates so as to measure the overall effect of national HIV/AIDS prevention and mitigation programs. The standard indicator for this measurement, according to the draft guidance, would be HIV

seroprevalence rates for 15-24 year olds. USAID/Cambodia officials stated that Family Health International has provided technical assistance to Cambodia to establish a national surveillance system since 1996. As a result, the Cambodian National Center for HIV/AIDS, Dermatology, and STIs (NCHADS) already conducts annual surveys to measure the HIV seroprevalence rates for the sexually active population.

- The second level would require the implementation of frequent (every 3-5 years) standardized national sexual behavior surveys to begin in 2001. Standard indicators proposed in the draft guidance for this area are "Number of sexual partners" and "Condom use with last non-regular partner." USAID/Cambodia officials mentioned that the national surveillance system has incorporated similar sexual behavior indicators. NCHADS has conducted an annual Behavioral Sentinel Surveillance (BSS) among high-risk groups since 1996.

- At the third level, Missions would be required to report annually, not only on trends at the national level—which may or may not reflect USAID-funded activities—but on progress in implementing USAID's HIV/AIDS programs and increasing the proportion of the population covered by these programs. The draft guidance lists seven standard indicators that missions might use to measure progress in selected program areas. USAID/Cambodia is presently reporting data similar to two of the standard indicators: "percentage of sexually transmitted diseases cases treated according to national standards" and "total condoms sold." Mission said it is also prepared to report on two other standard indicators ("percentage of orphans/vulnerable children with access to community services" and "percentage of HIV persons with access to basic care and psychological support") under the recently approved new strategy.

In summary, Mission officials stated that they will address the anticipated reporting requirements under the Mission's recently approved strategic plan.

Management Comments and Our Evaluation

In response to our draft report, USAID/Cambodia provided written comments that are included in their entirety as Appendix II. Based on the Mission's comments, management decisions have been reached on all report recommendations.

For Recommendation No. 1.1, the Mission indicated that a Monitoring and Evaluation group was formed to develop a performance monitoring plan for the new strategic objective in collaboration with the Mission's partners.

As for Recommendation No. 1.2, the Mission stated that during the design of the new strategic objectives process, Mission officials agreed to a set of

indicators based on Global Health Objectives, the Expanded Response Indicators for Monitoring and Reporting on HIV/AIDS Programs, the Guidance on the Expanded Response Monitoring and Evaluation, and the UNGASS[12] Indicators. Mission also stated that the final list of indicators will be determined when the Monitoring and Evaluation group is reconvened in July-August.

Regarding Recommendation No. 3, the Mission stated that it has initiated discussions with the Defense Contract Audit Agency to review PSI's expenditures, adequacy of PSI's internal control structure and compliance with the agreement terms and conditions.

Concerning Recommendation No. 4, the Mission indicated that PSI had submitted a draft action plan to address the concern of inadequate internal controls raised in the audit report.

In responding to Recommendation No. 5, the Mission stated that two indicators are included in the Mission's Performance Monitoring Plan to measure progress in activities for children affected by AIDS.

With respect to Recommendation No. 6, the Mission stated that PSI is working to identify local NGOs to distribute condoms to military camps at an affordable price. In addition, the Mission indicated that a dialogue with the Cambodian National Defense is underway to allow condoms to be sold in outlets on or around the premises of the military camps.

[12] United Nations General Assembly Special Session on HIV/AIDS, coordinating body for the Global Fund.

Scope and Methodology

Scope

RIG/Manila conducted this audit in accordance with generally accepted government auditing standards. The purpose of the audit was to determine (1) if USAID/Cambodia monitored performance of its HIV/AIDS program in accordance with ADS guidance, (2) if USAID/Cambodia is achieving intended results from its HIV/AIDS programs, and (3) the status of efforts to improve reporting on the results of the Mission's HIV/AIDS programs.

The Mission's HIV/AIDS program funding increased to $10 million in fiscal year 2001 (of which $7.6 million was obligated at the end of 2001) from $2.5 million in 1999. Of the twelve HIV/AIDS indicators in the Mission's performance monitoring plan, Mission officials and auditors judgmentally selected three for testing. These three indicators include (1) number of condoms sold during the last 12 months, (2) percentage of STD clients in targeted facilities assessed and treated according to national standards, and (3) percentage of men in target areas reporting always using condoms with commercial sex workers during the previous three months. Mission officials believed these three indicators give the best overall sense of progress being made in the HIV/AIDS program in the year 2000.

We determined if intended results had been achieved based on whether the Mission met its fiscal year 2000 targets for the three indicators. We could not draw a definitive conclusion on two of the indicators—Condom Use and STD Care—because the Mission did not set performance targets for the indicator in its results report until the year 2000. Also, in evaluating for intended results, we recognized that, in many cases, other entities—including the host country—also participate in achieving these results. Fieldwork was conducted in Phnom Penh at USAID/Cambodia and the offices of Family Health International, Population Services International, and KHANA between November 4, 2001 and March 1, 2002.

The Mission's HIV/AIDS program has received additional funding from USAID's Bureau for Asia and Near East and USAID's Bureau for Global Health. However, we limited the audit scope to evaluating the Mission funded-activities only.

We used performance data reported in the national behavioral survey to measure results for condom use, and an STD survey study conducted by Family Health International in 2000 to measure results for STD Care. To identify targets for condom sales, we reviewed the cooperative agreement between USAID/Cambodia and PSI. We performed limited testing to ascertain the accuracy of the survey results. Our review of management

controls focused on USAID/Cambodia's performance monitoring plan and how well the Mission complied with USAID policies and guidance. Additionally, we visited the HIV/AIDS unit of the Cambodian Ministry of Defense in Phnom Penh to review peer education program. We also visited an STD Care clinic and a brothel in Phnom Penh to review the IMPACT project supported mobile STD clinic. Finally, we visited PSI's main warehouse and packaging facility in Phnom Penh.

Methodology

To answer the first audit objective, we reviewed the Mission's performance monitoring plan and compared it to the requirements set forth in USAID's Automated Directives System. We determined if data quality assessments were completed, baselines were established, and if data agreed to source documents. We also obtained information as to what other methods for monitoring HIV/AIDS program performance were being used by the Mission.

To answer the second objective, we analyzed planned and actual data for the selected indicators presented in the Mission's performance monitoring plan. Actual data were traced to source documents to verify accuracy of reported results. For example, to verify the accuracy of reported result for condom use, we traced those results back to the national behavioral survey at the Ministry of Health in Phnom Penh. Similarly, we traced the STD Care results to the STD survey results completed in 2001 by Family Health International in Phnom Penh. As for condom sales, we judgmentally selected eleven sales tickets at PSI's office and performed sales confirmation in Phnom Penh area. On February 26, 2002, we took a physical count of condom inventory at PSI stockrooms in Phnom Penh.

For objective three, we reviewed USAID's "Handbook of Indicators for HIV/AIDS/STI Programs," USAID's Expanded Response to the Global HIV/AIDS Pandemic—Monitoring & Evaluation Guidance (a draft dated February 2001) and the status of the Mission's implementation of this guidance.

An error threshold of one percent was established for testing the accuracy of data transcription and a plus or minus five-percent threshold was used to assess whether the reported results agreed with source documents.

Management Comments

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
PHNOM PENH, CAMBODIA

MEMORANDUM

TO: Bruce Boyer, RIG/Manila DATE: June 10, 2002

FROM: Lisa Chiles, Mission Director/s/ REF:

SUBJECT: Draft Audit Report for the Audit of USAID/Cambodia's Monitoring of the Performance of Its HIV/AIDS Program

As requested in your transmittal memo dated May 2, 2002, the Mission has reviewed the draft audit report for the Audit of USAID/Cambodia's Monitoring of the Performance of Its HIV/AIDS Program. This memorandum contains our comments on the findings.

First, may I tell you how pleased I am that the timing of the audit coincided with the Mission's development of its new strategy, the Cambodia Interim Strategic Plan for 2002-2005, and with Cambodia's designation as one of four USAID "rapid scale-up" countries. The audit found a need for the Mission to strengthen its monitoring system and to pay attention to several management areas of the HIV/AIDS program's performance. It is fortunate that three inhibiting factors that hampered our ability to monitor and manage adequately in the past have now been corrected.

First, funding for the program is now both adequate and predictable. Until FY 2001 annual resources were not guaranteed, and the level of funding was subject to great variance. Under those circumstances, planning and target setting was nearly impossible. Second, USAID is now working in partnership with the Royal Government of Cambodia (RGC) to plan and implement the HIV/AIDS program. Prior to this fiscal year, legislative and policy prohibitions on engagement with the RGC at the national level limited our control over many variables. For example, the inability to jointly conduct a national sexually transmitted diseases (STDs) survey led to long delays which prevented our establishing baseline data required for a performance monitoring plan to set targets for STD care and to monitor results. Third, the USAID/Cambodia Office of Public Health (OPH) now has six professional staff, including both a senior technical advisor on monitoring and evaluation and a TAACS technical advisor on HIV/AIDS behavioral change, with

current recruitment for an additional two professional staff. For the first time since USAID returned to Cambodia, OPH will be adequately staffed to perform all the functions required of a USAID public health presence in a country, with staff dedicated solely to monitoring and evaluation.

The following sections describe actions already taken, in process, or planned to implement the new Strategic Objective (SO 442-009) Increased Use of HIV/AIDS and Family Health Services which, at the same time, address and implement the audit recommendations.

I. Did USAID/Cambodia monitor performance of its HIV/AIDS program in accordance with Automated Directives System (ADS) guidance?

Need to Strengthen Performance Monitoring Plan and Establish Performance Targets

Recommendation No. 1: We recommend that USAID/Cambodia:
1.1 prepare a performance monitoring plan for the Mission's new strategic plan in accordance with the ADS.

Following the approval of the new HIV/AIDS-Family Health SO, the Monitoring and Evaluation (M&E) Advisor and the rest of the OPH team, through a collaborative effort with the mission's current partners, began to develop work plans, including indicators, for the three-year strategy, 2002-2005. The participants in this planning process agreed to a draft core set of 20 outcome and impact indicators, and an M&E working group was formed to develop the performance and monitoring plan for the new SO, to determine the need for a baseline survey in the targeted operational districts and to finalize the indicators.

The primary objective of the M&E working group is to reach agreement on a common M&E framework. This umbrella framework will provide the guidelines within which each of the funded partners will implement their individual M&E systems. Partners will work together to determine how best to collect and report on progress, while at the same time continuing to collect and report data individually or collectively. Ideally, this commonly shared framework will include a shared database into which all partners can enter their data so that OPH can ensure complete data and up-to-date data.

OPH is currently testing a Microsoft ACCESS-based reporting system with the idea of having one uniform format for reporting by all funded partners, which would easily feed into the performance monitoring plan. The work plans for the next three years, recently submitted to OPH, and currently undergoing review, were submitted in this format.

1.2 establish performance targets as required by USAID guidance to allow a determination of whether the HIV/AIDS program is making progress.

During the new SO design process, the plenary group agreed to a core set of outcome and impact indicators based on 1) the Global Health Objectives (Feb 2002), 2) the Expanded Response Indicators for Monitoring and Reporting on HIV/AIDS Programs (April 9, 2002), 3) the Guidance on the Expanded Response Monitoring and Evaluation (April 30, 2002), and 4) the UNGASS[13] indicators. The precise definitions for this core list of indicators are from these source documents. Possible modifications to the definitions are anticipated for a few indicators where it makes the most sense for Cambodia and where agreement has been reached with the USAID HIV/AIDS Office in Washington. The final list of core indicators for Cambodia will be determined when the M&E working group is reconvened in July-August, following approval of activities and work plans of the implementing partners.

The National Center for HIV/AIDS, Dermatology and STDs (NCHADS) recently presented the results of the 2001 Behavioral Sentinel Surveillance (BSS) and a thorough analysis of behavioral trends for male and female respondents from BSS data collected since 1997. Prevalence projections were also presented the same week according to the Asia Epidemic Model (AEM) developed by NCHADS and FHI. In addition, the OPH Technical Advisor for M&E and the Coordinator for the US Centers for Disease Control – Global AIDS Program (CDC-GAP) for Cambodia, attended the global BSS monitoring meeting held in Bangkok on 13-15 May. As far as national sero-prevalence and behavioral data are concerned, the Cambodia Mission is in a strong position to report reliable and valid trend data to help explain outcomes and impact related to prevention efforts.

OPH was recently informed that the Global USAID indicators for HIV/AIDS care and support will be field tested in Cambodia. In addition, OPH is considering other viable methods for assessing the new integrated SO at the Operational District level to enable collection of data relevant to maternal and child health, HIV care and support, and other infectious diseases.

Mission Should Assess Data Quality

Recommendation No. 2: We recommend that USAID/Cambodia assess the quality of performance data and document the procedures to be used in the performance monitoring plan as required by Agency directives.

During the auditor's February visit to Cambodia, she took the time to introduce

[13] United Nations General Assembly Special Session on HIV/AIDS, coordinating body for the Global Fund. Cambodia was recently awarded one of the competitive grants.

the Technical Advisor for M&E to The Performance Management Toolkit; A Guide to Developing and Implementing Performance Monitoring Plans. This guidance encourages proper documentation to facilitate the maintenance of quality performance indicators and data. Furthermore, the Performance Indicator Reference Sheet provides the opportunity to note data quality 'issues', such as any known limitations and significance to the data, actions taken or planned to address the limitations and procedures for data quality assessment. The auditor also shared a 'good' example of a completed set of Performance Indicator Reference Sheets from another country, and another 'good sample' was provided to OPH, Cambodia from the ANE Bureau. These strong examples, together with the guidance from the Toolkit, are being consulted regularly in the development of the new PMP.

Limitations for measuring trends emerge in any evaluation system when periodic modifications occur to the survey instrument(s) and the sampling procedures. USAID has been limited in its ability to prevent changes in the surveillance system since the NCHADS has complete responsibility for the national HIV surveillance system (both the HSS and BSS). Now that USAID/Cambodia can fully engage with the RGC, it is in a much better position, through direct support, to work closely with and influence the NCHADS on the surveillance system.

Improved data reliability from the National Health Information System (NHIS) is anticipated over the course of the three-year strategy. Now that USAID/Cambodia can engage with the RGC, the ANE Bureau has offered to send a team of experts to Cambodia to assess the NHIS and other national infectious diseases surveillance systems and to make recommendations for their improvement. It is planned that this assessment will take place in August to coincide with the WHO Consensus Meeting for HIV/AIDS surveillance.

PSI Needs to Implement Controls Over its Operations in Cambodia

Recommendation No. 3: We recommend that USAID/Cambodia contract for a review of all expenditures charged under the Population Services International agreement since 1998 for allowability, reasonableness, and allocability.

With regard to the recommended review, the Mission has initiated discussions with the Defense Contract Audit Agency (DCAA) on the review of PSI's expenditures, adequacy of PSI's internal control structure and compliance with the agreement terms and conditions. A scope of work (SOW) has been developed for a delivery order that will be issued to the DCAA under its existing participating agency service agreement with USAID/Manila. The SOW is currently in the clearance process. The planned date for commencement of the

PSI review is mid-August 2002 which is the earliest date that DCAA auditors would be available.

Recommendation No. 4: We recommend that USAID/Cambodia work with Population Services International to establish a plan to implement acceptable controls over project operations especially in the areas of cash transactions, condom sales, condom inventory, segregation of duties, and procurement.

In April 2002, the Mission met with PSI to discuss the audit findings; consequently, PSI submitted a draft plan of action to address the issues raised in the report. Moreover, in mid-June, PSI/Cambodia is bringing in an accounting/controller staff from its home office to review local operations and assist the country representative in developing an expanded plan of action to strengthen its internal controls.

Need to Establish Performance Measures for Children Affected by AIDS Activities

Recommendation No. 5: We recommend that USAID/Cambodia include appropriate performance measure(s) in its performance monitoring plan to measure the results of its activities for children affected by AIDS.

Two proposed indicators, both of them on the standard indicator list of the enhanced monitoring and reporting system for rapid response program countries, are included in the PMP to measure progress in activities for children affected by AIDS.

One of the major limitations of data reported to OPH in the past is that the denominators were missing. In order to report an accurate representation of the level of the problem associated with children affected by AIDS, Family Health International, in partnership with KHANA, propose to determine the extent of the CAA problem in the targeted districts to complement the existing data from UNAIDS. This effort should produce a denominator in order to provide better baseline and realistic targets for reducing the effects of HIV/AIDS on children, especially for the targeted Operational Districts.

Is USAID/Cambodia achieving intended results from its HIV/AIDS program?

Recommendation No. 6: We recommend that USAID/Cambodia coordinate with Population Services International to ensure availability of condoms to provinces and military bases.

Since the recommendation as currently stated is not within

USAID/Cambodia's management control, the Mission requests that this recommendation be revised to read as follows:

We recommend that USAID/Cambodia coordinate with Population Services International to ensure increased availability of condoms to provinces and military bases.

During the recent intensive design process for the new HIV/AIDS and Family Health SO, USAID/Cambodia and its implementing partners have realized and called attention to the need to improve access to condoms as well as other health products among rural populations. Further, it is important to note that in the integrated strategy, the HIV/AIDS prevention program has greatly expanded its scope. The previous focus was just on the high-risk population of direct sex workers, military and police in high prevalence "hotspots" in the high priority geographical areas of the 1997 Strategic Plan of the National AIDS Program. The new focus adds the broader at-risk population in selected operational districts of the public health system as well as indirect sex workers, mobile populations, migrant workers, youth, and "sweethearts."

In response to the findings and Recommendation # 6 relating to the availability of condoms in provinces and military bases, the Mission obtained inputs from PSI and, from those comments, provides the following additional clarifying information:

1) On page 25, the report states: "However the audit found that only 47 percent ... of condoms were sold outside of Phnom Penh. PSI has not achieved this goal for two primary reasons. First PSI has been unable to link up with a national wholesaler. Second, PSI has focused on cost recovery as a management priority. As a result, condoms are still not widely available outside of Phnom Penh, especially in rural areas... and in remote military bases."

This statement is misleading for several reasons:

The 47% figure quoted comes from PSI's Management Information System (MIS), which currently is only able to track condom sales to the first point of the distribution chain. Many of the sales in Phnom Penh are wholesale sales, most notably those made to the wholesale outlets in Olympic Market and others made to NGOs partners, from which the condoms end up in the outer provinces. The Olympic Market is an important feeder for pharmaceutical products to the rest of the country. For this reason, PSI has chosen those channels as a key means for cost-effectively getting products to more rural areas.

In all likelihood the number of condoms reaching consumers in rural areas is

much higher than stated in the MIS. Unfortunately, PSI has not been able to measure achievements towards its goal of selling condoms outside Phnom Penh with its MIS. To remedy this, a distribution survey will be conducted in June 2002 which will provide PSI data as to what the urban/rural penetration of PSI products is and through which different kinds of outlets. This distribution survey will serve as a baseline for improving rural sales in the upcoming three-year project period. There are very few national wholesalers in Cambodia, and it is not likely that PSI will be able to link up with one of them in the near- to mid-term.

While social marketing is founded on the notion of cost recovery, it is misleading to say that cost recovery is a management priority. PSI strives to set prices for its products to be the lowest possible: low enough for poor people to afford them, but high enough for people to attach value to them and high enough for commercial and other partners to earn a sufficient margin to motivate them to carry and promote the products. In essence, PSI sets its prices to maximize sales, not revenues; to build markets, not monopolize them. Indeed, the social marketing cost recovery philosophy does not hinder rural sales; but rather promotes them – it is the very basis of why social marketing programs have been so successful around the world.

2) On page 26: "In a concept paper for collaboration with PSI dated 2001, FHI drafted a proposal to work with PSI to ensure availability of condoms for its peer education program in remote military bases. The proposal called for a pilot social marketing program among military units, a program, which was, per project officials, turned down by the military…."

Increasing distribution to the military has been a tough nut to crack, but not for want of trying. PSI believes progress has been made and the Mission agrees. One major constraint to PSI's plan to work with FHI through its peer education program with the military was that initial inquiries into pilot social marketing activities were spurned by the military. Thus, FHI wanted to provide large numbers of condoms for free -- something that is inconsistent with the very concept of social marketing and which PSI's donors do not want it to do. Progress on this impasse is finally being made (see below).

> And then on page 27: "as shown on the table, there was a decrease in distribution in 2001. There are two reasons for this. First according to PSI officials, PSI experienced a complete stock out of condoms in November 2001…."

PSI reports that this stock-out mentioned above was very brief (less than two weeks) and was not a significant factor in low level of distribution to the military for the whole year.

What Lies Ahead

Rural Distribution – The integrated nature of USAID/Cambodia's new Strategic Objective will enable the implementing partners to expand condom availability into rural areas. PSI plans to conduct a distribution survey in June to August 2002 which will establish a baseline in terms of condom availability by outlet type and urban vs. rural. PSI has already begun a significant expansion into rural and more vulnerable areas via the United Health Network (UHN) initiative. In this initiative PSI will identify, train and supply NGOs (especially community-based NGOs that work with poor populations and groups engaging in high risk behaviors) throughout the country to social market condoms and other health products in the provinces. In the absence of a national distributor, PSI is working at the provincial level to identify various partners who can essentially serve as distributors, wholesalers, and retailers of health products. PSI has already built collaboration and networking among USAID's implementing partners CARE, FHI, KHANA, PFD, RHAC, and RACHA, as well as with other NGOs working in health service delivery systems and communities, including PACT, Medecins Sans Frontieres (MSF), Pharmaciens Sans Frontieres (PSF), Health Net, 24 Hour Television Charity Committee, Cambodia NGO Forum, Battambang Women's AIDS Project, and Indradevi Association.

Military Distribution - Discussions are underway between PSI, WHO (the current provider of condoms for FHI's program with the military), FHI, and the HIV/AIDS Unit Director of the Ministry of National Defense (MoND) to find a long-term solution which will ensure the supply of condoms to military personnel throughout the country. Caution is necessary for the following reasons: 1) the current military position is that condoms should be given away freely; 2) it is not clear whether it is an appropriate role for PSI to distribute condoms on a large scale to its government partners, and 3) there is the potential of the military reselling large quantities of condoms on the open market. While discussions for a long-term solution continue, the following short-term remedies are planned:

-As part of the UHN Initiative described above, PSI will work to identify appropriate local NGOs who are currently working or potentially could work with the military and then supply those NGOs training, products, and other support (such as BCC and promotional materials). The condoms would be sold to the NGOs at a discount to ensure that the final price to military personnel is affordable.

-The Ministry of National Defense has indicated that, while not wanting to be engaged in social marketing itself, it may allow condoms to be social marketed in outlets on or around the premises of the military camps. These outlets could then be supplied either directly by PSI sales staff or by

NGO members of the UHN Initiative.

OPH will discuss this issue with relevant implementing partners in their work plan development process and coordinate action to ensure condom availability in target areas.

What is the status of USAID/Cambodia's efforts to meet anticipated HIV/AIDS reporting requirements?

As presented in this memorandum in response to the draft audit findings, USAID/Cambodia is developing and will implement a performance monitoring plan which will meet the reporting requirements of a "rapid response" program. Progress so far includes selection of key HIV/AIDS indicators at both national and program-specific levels, adoption of globally accepted standard indicators to monitor progress, and assignment of respective roles and responsibilities for data collection, quality assessment and reporting. The next required steps, which are scheduled over the next several months, are the specification of targets and the collection of baseline data, implementation of standard measurement tools for gathering performance data on a regular basis, followed by data analysis and progress reporting. USAID/Cambodia now has an adequate and secure funding base, sufficient staff to perform all the office's functions, and a working relationship with the Royal Government of Cambodia that will enable us to accomplish planned results.

USAID/Cambodia is fortunate in that it had the foresight to fund the development of systems that already collect and report information at two of the three levels required to implement the enhanced monitoring and reporting required of "rapid response" countries: a national sentinel surveillance system to report annually on HIV incidence rates and a standardized national sexual behavior survey to report findings every three to five years. These systems are institutionalized in the RGC. A system for the third level of reporting – on progress in implementing USAID's HIV/AIDS programs and increasing the proportion of the population covered by these programs – will be in place by the end of this year.

Rapid Scale-Up, Intensive Focus, and Basic Countries

- Rapid Scale-Up Countries are defined as countries that will receive a significant increase in resources to achieve measurable impact within one-to-two years. This will result in an extremely rapid scaling up of prevention programs and enhancement of care and support activities. Rapid Scale-Up countries include:

  Cambodia Kenya Uganda Zambia

- Intensive Focus Countries are defined as countries where resources will be increased and targeted to reduce prevalence rates (or keep prevalence low in low prevalence countries), to reduce HIV transmission from mother to infant and to increase support services for people (including children) living with and affected by AIDS from three to five years of age. Intensive Focus Countries include:

Ethiopia	Nigeria	Brazil
Ghana	Rwanda	India
Malawi	Senegal	Russia
Mozambique	South Africa	
Namibia	Tanzania	

- Basic Countries are defined as countries that USAID will support host country efforts to control the pandemic. USAID programs will continue to provide assistance, focusing on targeted interventions for populations who engage in high-risk behavior. In these countries, there will be an increased emphasis on maintaining credible surveillance systems in order to monitor HIV trends and allow timely warning of impending concentrated epidemics of HIV. In addition, USAID will assist country institutions to identify additional sources of funding to expand programming.

Summary of USAID/Cambodia's Performance Monitoring Controls Reviewed by the Audit

Indicator	Performance Monitoring Plan							8. Data Quality Assessment Done	9. Baseline Established	10. Data Agrees To Source	11. Other Means of Monitoring (If yes, indicate type)
	1. Indicator Precisely Defined	2. Data Sources Identified	3. Data Collection Method Described	4. Data Collection Schedule Specified	5. Responsibility Assigned	6. Data Limitations Disclosed	7. Quality Assessment Procedures Described				
Percentage of men in target areas reporting always using condoms with commercial sex workers during the previous three months	**No**	**Yes**	**Yes**	**Yes**	**No**	**Yes**	**No**	**No**	**Yes**	**Yes**	Yes (External Mid – Term Evaluation)
Number of Number One Condoms sold in project areas in past 12 months	**No**	**Yes**	**Yes**	**Yes**	**No**	**Yes**	**No**	**No**	**Yes**	**No**	Yes (Semi annual Progress Report)
Percentage of STD clients in targeted facilities assessed and treated according to national standards	**No**[a]	**No**[b]	**No**	**Yes**	**No**	**N/A**	**No**	**No**	**Yes**[c]	**No**[d]	Yes (External Mid-Term Evaluation)

a. According to the Mission's PMP, the current definition of this indicator includes identifying the types of sexually transmitted disease assessed and treated as an element of the definition. The Mission's PMP and results report did not identify types of STDs.

b. According to the Mission's PMP, the baseline assessment for the indicator was planned in year 1999 based on an external evaluation of STD clinics supported by Family Health International. However, two staff members of Family Health International collected baseline data by completing a STD survey study in April 2000.

c. According to the Mission's PMP, the Mission planned to report the baseline measure in year 1999. Due to delay in conducting baseline assessment by Family Health International, the Mission reported the baseline assessment only in year 2001.

d. According to Family Health International officials, the baseline assessment reported by the Mission in year 2001 was erroneous and being recalculated